7. Arrears of demand, which have become uncollectible beyond doubt, are written off under prescribed guidelines.

RBIs Policy for Home Loans

2051. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the recently announced credit policy of the RBI has given a boost to home loan market;

(b) if so, the details in this regard;

(c) whether it is a fact that to a large segment of the organised sector, even with the expected fall in home loan interest, owning a home is out of reach;

(d) if so, whether Government propose to consider further reduction in home loan interest or provide some subsidy to facilitate middle and lower rank employees of organised sector to purchase houses;

(e) if so, the details thereof; and

(f) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) Yes, Sir. In the monetary policy statement announced by RBI on April 29, 2002, RBI recognized the growing importance of the construction sector including its forward and backward linkages with other sectors of the economy and encouraged banks to increase the flow of credit to this sector.

With a view to further improve the flow of credit to housing sector, in the recenlty announced Monetary & Credit Policy for the year 2002-03 RBI proposed to liberalise the prudential requirements for housing finance by banks and encourage investment by banks in securitised debt instruments of Housing Finance Companies (HFCs), Accordingly:

> The term loans extended by bankis to intermediary agencies against the loans sanctioned by them have been allowed to be reckoned as part of housing finance. Also, investment in bonds issued by HUDCO and NHB exclusively for financing of housing is being reckoned for priority sector targets.

Banks extending loans against residential housing properties would be required to assign risk weight of 50 percent, instead of present 100 percent.

Investments made by banks in Mortgage Backed Securities (MBS) of residential assets by HFCs, which are recognized and supervised by NHB, would also be assigned a risk weight of 50 percent for the purpose of capital adequacy.

Investments by banks in MBS issued by HFCs supervised by NHB will be reckoned for inclusion in the prescribed housing finance allocation of 3.0 percent.

Commercial banks have been given freedom to decide their lending rates for credit limits over Rs. 2 lakh since October 1994. In April 2001 Monetary and Credit Policy, PLR was converted into a reference or benchmark rate so that banks are now free to lend at a sub-PLR rate to creditworthy borrowers including public enterprises on the lines of a transparent and objective policy approved by their Boards. Therefore, banks have the flexibility to reduce rate on home loans under the extant guidelines en lending rates. The lending rates of commercial banks have generally responded to the comfortable liquidity situation. As many as 21 public sector banks, 14 private banks and 6 foreign banks reduced their PLRs since the announcement of midterm review in October 2002. While the reduction in **PLR** by public sector banks was to the tune of 50 to 100 basis points, the same for private banks ranged from 50 to 200 basis points and for foreign banks it was 25 to 325 basis points.

RBI's Credit Policy

2052. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that all leading banks are considering to lower the interest rate on all their services and products, including Prime Lending Rates following the credit policy recently announced by the Reserve Bank of India;

(b) if so, the details in this regard;